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# Business Success and Sustainability

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## **Abstract**

The survival rate of small business is quite small, and the proportion of those surviving that go on to success and long term sustainability is even smaller. This paper explores the role of leadership in the sustainability of entrepreneurial enterprises and the relevance of Collin's research to the development of the appropriate skills for entrepreneurs. It would appear that Collins's (2001) research has much to say about what it takes to build an exceptional company and sustain it over the long term. He and his team were looking for the contributing factors in long term success, not exploring leadership. They were trying to identify what it was that enabled some companies to be continuously successful through negative and positive external conditions. What he terms Level Five leadership appeared as critical.

These findings could have significant implications for the sustainability of entrepreneurial activity, as they suggest that the high profile, success driven individual, whilst able to attract attention and resources, and bring about significant change or development, may not have the attributes and behaviours necessary to grow a sustainable business. For sustainability the focus of the success is on the enterprise, not the entrepreneur, on the long-term development of the enterprise, not short term rewards, on organisational values and standards rather than personality and charisma.

## **Introduction**

“Why some companies make the leap...and others don’t” is the sub title of Jim Collin’s latest book “Good to Great”. (Collins 2001) This leap is a particularly relevant concern for small and entrepreneurial businesses. Starting up is one thing – actually surviving the changes that accompany rapid growth provides different challenges and can require very different skills.

The survival rate of start-up businesses is quite small, and the proportion of those surviving that go on to success and long term sustainability is even smaller. Gasse (1990) states:

“Most authors agree that one of the principal causes of small business bankruptcy is the lack of management skills. In effect, management skills are important to the survival of the new firm.” (p. 103)

This paper explores the role of leadership in the sustainability of entrepreneurial enterprises and the relevance of Collin’s research to the development of the appropriate skills for entrepreneurs.

## **From Good to Great**

Colins and his team undertook extensive research into the differences between companies that achieved sustained success over those that didn't. His companies are largely in North America, are large, and have been in existence for at least 15 years. So how are his findings relevant to start-ups and other entrepreneurial companies? All of the successful companies were at a start-up or entrepreneurial stage at one time. What they did at this stage impacted on their ability to sustain their success over a long period of time and to a much greater degree than competitors in similar situations. Really the message is, begin as you mean to continue.

Collins (2001) identified a number of conditions necessary for sustained success. These include:

- Level 5 leadership; that is leaders who have a range of characteristics that include: self-effacement, reserve, humility and strong professional will.
- Importance of having the 'right people'.
- Importance of confronting the brutal facts – without losing faith

- The Hedgehog concept which identifies three intersecting factors: passion for what you do, the ability to become the best in the world at what you do and an awareness of what drives the economic engine.
- A culture of discipline
- The use of technology to accelerate and support initiatives
- A recognition that greatness takes time

All of these are required to ensure sustainable success and 'greatness'. For the purposes of this paper the role of leadership, and its implications, will be examined in more detail. Effective leadership is critical to entrepreneurial success but as a concept leadership is little defined or dealt with in the entrepreneurial literature.

### **Entrepreneurial leadership**

Cammarano (1993) Eggers (1999) and Moore & Buttner (1997) identify management and leadership as critical to entrepreneurial growth.

"Leadership plays a key role in the survival and success of entrepreneurial ventures. The focus in small firms is on the entrepreneur, who is called on to build an organisational culture (Schein 1983), develop a strategic vision (Chandler 1994) and discover and take

advantage of opportunities and resources in the firm's environment (Westley & Mintzberg 1989)" Moore & Buttner (1997)

Many authors have described the characteristics of entrepreneurs. Risk bearing (McClelland 1961, Liles 1974, Kao 1991, Timmons 1999, Jennings, Cox & Cooper 1994), innovations and use of initiative (Timmons 1999, Jennings, Cox & Cooper 1994, Schumpeter 1934), desire for responsibility (Timmons 1999), need for power (Hornaday & Aboud 1971), internal locus of control (Timmons 1999), personal value orientation [Brush 1992, Moore 1997) need for achievement (McClelland 1961, Hornaday & Aboud 1971, Liles 1974, Jennings, Cox & Cooper 1994), Need for independence (Collins, Moore & Unwalla 1964, Scheinberg & Macmillan 1988 ).

Timmons (1999) asserts that 6 dominant themes have emerged about what entrepreneurs do and how they perform. These include: Commitment and determination; Opportunity obsession; Tolerance of risk, ambiguity and uncertainty; Creativity, self-reliance and ability to adapt; motivation to excel; and Leadership. The nature of the leadership required is not expanded upon.

A study of a sample of small business owners/directors in South East Queensland, Australia identified a range of 'people' issues. (Dalglish 2001) Through in-depth interviews they were asked to identify the 'people' issues that had impacted on their company and its growth.

Whilst the responses were diverse and reflected the diversity of industries, stages of development of the business and personality of the interviewee, a number of issues appeared to across the sample. These included:

- Recruiting for organisational fit
- Dealing with cultural change brought about by growth
- Motivating employees
- Managing the inter-actions between the entrepreneur and the growing organization.

Each of these could be seen as critical leadership tasks.

The process of transition described by the participants in the Australian research study is well recorded in the entrepreneurial literature. (Flamholtz 1986, Roberts 1987, Griner 1972, Kao 1991). Kao(1991) identifies many of the problems of rapid growth identified by the research including: communication becomes harder, inadequate human resource practices, management skills and organisational needs.

“the entrepreneur who wishes to retain decision making and power as a ‘closely held’ function may be unwilling to delegate to key managers.” (Kao p19).

What the research suggests is that the very characteristics that make entrepreneurs successful in starting up the business, may create problems as the business grows. The need to focus on detail, to be more structured, and aware of the impact of personality and

communication style, are things that may not have been nearly as important to the successful 'start-up'.

Nagel cited in Scarborough identifies the importance of leadership in the growing enterprise:

“The new leader is...the one who sees clearly the goal, shares repeatedly and forcefully the vision, provides the tools, trains and enables co-workers to manage and improve their processes, remains persistent in the face of adversity and inspires others to take an ownership position in the completion of the mission – by example.” (Scarborough p649)

Kotter (1996) provides a practical definition of leadership, of what leaders do.

“ ....it (leadership) produces movement. Throughout the ages, individuals who have been seen as leaders have created change, sometimes for the better and sometimes not. They have done so in a variety of ways, though their actions often seem to boil down to establishing where a group of people should go, getting them lined up in that direction and committed to movement, and then energizing them to overcome the inevitable obstacles they will encounter along the way” Kotter (1996)

The question remains, do organisations that are particularly successful have leaders who exhibit different characteristics and behaviours than those that are less successful. Colins

(2001) has identified some very clear leadership attributes that appear in successful companies but not in less successful ones.

### **Level 5 Leadership**

Colins (2001) describes the Level 5 Leader as someone who:

“Builds enduring greatness through a paradoxical blend of personal humility and professional will.” (p 20)

Despite the many differences between the different leaders researched by Collins and his team there were two characteristics that applied to each of the ‘great’ leaders, that did not apply to those leaders who led less successful companies. Leadership scholars have been searching for ways of defining and describing effective leadership and this has led to research into personal attributes,(Deary 1996)individual behaviours,(Bass 1996) and roles and functions (Gardner 1990) without any definitive outcomes. Collins’ research was not focused on leadership but on success, and approaching it from that perspective some leadership attributes/behaviours did appear in the ‘great’ companies and not in the less successful companies. Also, despite individual differences, all the leaders exhibited these characteristics.

The first attribute he identified was that of professional will. This professional will is demonstrated in a number of ways:



‘a clear catalyst in the transition from good to great, demonstrates an unwavering resolve to do whatever must be done to produce the best long term results – no matter how difficult, sets the standard and looks in the mirror, not out of the window, to apportion responsibility for poor results.’ (p36)

The second attribute he identified was that of personal humility. This humility was demonstrated in a number of ways:

‘ through a compelling modesty, shunning public adulation, acting with quiet calm determination, relying on inspired standards rather than charisma to motivate, channeling ambition into the company not self, looks out of the window, not in the mirror to apportion credit for success – to other people, external factors and luck.’ (p36)

## **Conclusions**

The first attribute, of professional will, that Colins identifies appears to be consistent with the entrepreneurial and leadership literature. Successful entrepreneurs and leaders need determination and an ability to overcome whatever hurdles appear on the way to achieving their objectives. The entrepreneurial literature has long associated entrepreneurial personality with an internal locus of control (Timmons 1999)- that is a belief in individual ability to bring about change and a personal willingness to accept responsibility for actions taken.

The second attribute of humility is more complex. Considerable research has linked leadership with 'charisma' (Bass 1996, Weber 1947, Burns 1978), and contemporary literature is full of examples of successful corporate leaders who have extremely healthy egos and a taste for public celebrity. Colins makes a distinction here – he is seeking the leaders of great companies, rather than great leaders. He suggests that the charismatic, transformational, larger than life, leader may be very effective at bringing about change in an organisation, but has limited success with the building of a great organisation over time. Those leaders who court publicity are perhaps not the best examples of humility, yet humility was a characteristic of Matsushita, an entrepreneur who sustained a highly successful company throughout most of the 20<sup>th</sup> century in Japan, overcoming formidable obstacles such as the great depression and World War 2. (Kotter 1997)

### **Implications for sustainability.**

There are perhaps no surprises with regard to the importance of entrepreneurs and leaders being driven and focusing on results. Previous research into both leadership and entrepreneurship would identify determination and an ability to be adaptable (Timmons 1999). However, some of the other characteristics are not as self evident, and in fact do not appear in the entrepreneurship literature. In a business culture that expects and encourages self promotion, can modesty, self effacement and humility succeed? Will these characteristics be recognised and can entrepreneurs who have these attributes persuade others to support them?

These findings could have significant implications for the sustainability of entrepreneurial activity, as they suggest that the high profile, success driven individual, whilst able to attract attention and possible resources, and bring about significant change or development, may not have the attributes and behaviours necessary to grow a sustainable business. For sustainability the focus of the success is on the enterprise, not the entrepreneur, on the long term development of the enterprise, not short term rewards, on organisational values and standards rather than personality and charisma.

The challenge is how to recognise those with level five potential, and how to develop these attributes in those with the drive to succeed.

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